



Smoke and mirrors won't balance the budget – it's time to face facts

By Dick Ackerman
January 3, 2008

Over the past four years, the term “The Year of” was used to prioritize important policy issues facing the legislature. It's been the Year of Recovery, Infrastructure, Reform, Health Care Reform and now Education. During this same period, the Capitol was abuzz with global warming, establishing a performance review, implementing prison reform, creating more water supply, strengthening tough-on-crime laws, and providing more assistance for the elderly and the disabled.

However, no matter how important these issues are, nothing compares to the budget challenge before us today. If we do not tackle this problem head-on, the Legislature will not only be unable to address the state's future needs, but will not be able to meet our current obligations. Already, reports of possible prisoner early release and reducing educational spending are surfacing as solutions to balance the books.

For years, we have used smoke and mirrors, borrowed from Peter to pay Paul, used one state credit card to pay off another — or whatever budgetary metaphor you would like to use — to push financial woes into the next year. This year, the practice must stop.

The state is now facing a \$10 billion to \$15 billion budget hole, depending upon whose figures you use. Finger-pointing and blame games will not solve this crisis. It will take the full attention of both parties of both houses and the governor to find a responsible solution. It will require a prioritization of state resources and an end to throwing money around without accountability.

Most importantly, any solution must address the facts.

The simple fact is over the past five years, the state general fund has received an influx of roughly \$24 billion. Yet the state increased spending by even more. Imagine that. Despite the \$24 billion increase in revenues, and this figure does not include the tens of billions in infrastructure bonds authorized in 2006, the state still could not balance the books. This once again illustrates that unless we get a handle on the state's finances, California will always have a spending problem.

Some will argue for new taxes, but once again, revenues have increased dramatically over the past five years and are expected to grow under current law. However, if taxes are used as a solution, income taxes will have to be raised roughly \$1,000 for every taxpayer to pay for our overindulgence. Those advocating for this solution assume productivity does not drop as a result.

The last time state taxes were raised to support unbridled spending growth, revenues actually dropped the following year.

Others will decry any spending reductions as draconian. However, since the 2003-2004 budget, most areas of government have experienced significant increases. For example, spending on Resources Agency is up 76 percent, Health & Human Services 31 percent and Higher Education 36 percent. Given this tremendous growth, it seems reasonable that California can survive modest reductions. The fact is these spending increases occurred despite population growth and inflation only averaging 1.35 and 3.3 percent per year respectively. Government's growth, being much larger than the combined rate of population and inflation, is a clear indication of the unrestricted and out-of-control spending practices plaguing our state.

We must be smart when addressing this problem. We need to make midyear adjustments. Money saved this year will lead to greater reductions in the overall budget deficit.

The budget process itself is flawed. Too often budget committees vote strictly on party lines, ignoring minority party input and making the negotiations much more difficult later. The final budget sent to the governor's desk needs Republican votes, so it only seems sensible that the same requirement be incorporated into the budget committee rules.

Finally, we need to act. The Year of a Balanced Budget is long overdue.

Ultimately, the Legislature and the governor will be measured on whether we have the courage and conviction to tackle the budget problem once and for all.